

AMENDED IN ASSEMBLY JULY 2, 2014
AMENDED IN ASSEMBLY JUNE 10, 2014
AMENDED IN SENATE JANUARY 27, 2014
AMENDED IN SENATE JANUARY 6, 2014
AMENDED IN SENATE APRIL 23, 2013

SENATE BILL

No. 593

Introduced by Senator Lieu

February 22, 2013

An act to add and repeal Title 15.5 (commencing with Section 97000) of the Government Code, relating to social impact partnerships.

LEGISLATIVE COUNSEL'S DIGEST

SB 593, as amended, Lieu. Social impact partnerships: pilot program.

Existing law establishes the Office of Planning and Research in the Governor's office and sets forth its powers and duties as the comprehensive state planning agency, including, among other things, to evaluate plans and programs of departments and agencies of state government.

This bill would state findings and declarations of the Legislature regarding the social problems currently facing the state and the function of social impact partnerships. The bill would authorize the Governor to enter into at least 3 *pay-for-success* social impact partnerships, as defined, ~~each fiscal year before December 31, 2019~~, to address policies or programs not currently funded by the state, to address *a* particular ~~components of state programs~~ *component of a state program* in order to improve outcomes or lower state costs, to reduce recidivism, to reduce child abuse and neglect, or to assist at-risk and foster children, provided

that the social impact partnership ~~is not used to operate entire state programs~~, does not cause the displacement of any state ~~employee~~, *employee* and the contractual agreement contains specified provisions. The bill would require a *pay-for-success* contract for a social impact partnership to be submitted to the Legislature as part of the Governor's proposed budget, and any funding necessary for that fiscal year to be included in the Governor's proposed budget for the state agency that would administer or oversee the contract. The bill would ~~provide that for contracts approved by the Legislature in prior fiscal years, payments made under the contract would be subject to appropriation according to the terms of the contract~~ *require the Treasurer to separately account for moneys approved by the Legislature and the Governor to use for payment for these contracts, upon appropriation by the Legislature.*

This bill would repeal these provisions on January 1, 2020.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 ~~(a) This act shall be known, and may be cited, as the California~~
- 4 ~~Social Impact Partnership Act.~~
- 5 ~~(b)~~
- 6 (a) Over six million people are currently living in poverty in
- 7 California, and 22 percent are children. One in five children in
- 8 California lives in poverty and nearly one-half of children in
- 9 California either live in poverty or perilously close to it.
- 10 ~~(c)~~
- 11 (b) The recidivism rates in California are among the highest in
- 12 the nation. According to a 2012 report by the Department of
- 13 Corrections and Rehabilitation, just over 65 percent of those
- 14 released from California's prison system return within three years.
- 15 ~~(d)~~
- 16 (c) Approximately 55,000 children are in the foster care system
- 17 in California, yet, according to the Pew Charitable Trusts, by 19
- 18 years of age only 57 percent of emancipated foster youth have
- 19 received high school diplomas or general education development
- 20 (GED). Over 70 percent of all state prison inmates have spent time
- 21 in the foster care system.

1 ~~(e)~~

2 ~~(d)~~ Despite current efforts to address these challenges, there are
3 simply not sufficient resources available through traditional funding
4 mechanisms. Innovative approaches that can be shown to achieve
5 defined goals should be pursued.

6 ~~(f)~~

7 ~~(e)~~ Social impact partnerships are essentially
8 ~~pay-for-performance~~ *pay-for-success* contracts that can be used
9 for social programs administered by nongovernmental
10 organizations whereby governmental agencies pay only for
11 successful programs with real, measurable outcomes after the
12 results have been achieved.

13 ~~(g)~~

14 ~~(f)~~ This act will authorize the state to contract with
15 nongovernmental organizations to provide a service to a targeted
16 population over a specified period of time. If the results of the
17 services provided meet predetermined program goals, the state
18 will repay the nongovernmental organization for the services
19 rendered plus an agreed upon rate of return. If the social program
20 does not meet the targets, the government pays nothing.

21 ~~(g)~~ *This act will authorize the state to enter into at least three*
22 *pay-for-success contracts to meet state goals to reduce recidivism*
23 *and improve outcomes in the child welfare system.*

24 ~~(h)~~ The social impact partnership model was first used in the
25 United Kingdom in 2010 and has since been adopted in New York
26 City, Massachusetts, and Ohio, and contracts are being formulated
27 in other states such as Michigan, Colorado, Utah, North Carolina,
28 and New Jersey. *Twelve other states are developing social*
29 *impact partnerships, including Illinois, Michigan, New Jersey,*
30 *Ohio, and Washington.*

31 ~~(i)~~ In a time of limited public funds and a decrease in
32 philanthropy, the social impact partnership model is being used
33 across the nation to address social problems, to reduce recidivism,
34 to reduce chronic homelessness, and to fund early childhood
35 intervention and prevention services and job training programs.

36 SEC. 2. Title 15.5 (commencing with Section 97000) is added
37 to the Government Code, to read:

1 TITLE 15.5. SOCIAL IMPACT PARTNERSHIPS PILOT
2 PROGRAM

3
4 CHAPTER 1. GENERAL

5
6 97000. *This act shall be known, and may be cited, as the Social
7 Impact Partnership Program.*

8 ~~97000.~~

9 97000.5. (a) For purposes of this title, ~~“social impact
10 partnership,” also referred to as a “pay for success contract,” means~~
11 ~~a contract for services to address a defined demographic group’s~~
12 ~~particular needs for which payment will be made after~~
13 ~~predetermined measurable results have been achieved. the following~~
14 ~~definitions shall apply:~~

15 (1) *“Pay-for-success contract” means a type of contract that*
16 *the state may enter into with a service provider that sets*
17 *performance and quality standards that must be met in order for*
18 *the service provider to be paid. Pay-for-success contracts are often*
19 *used to address a defined demographic group’s particular needs*
20 *for which payment will be made after predetermined measurable*
21 *results have been achieved.*

22 (2) *“Social impact partnership” means a contractual*
23 *relationship between a public entity and one or more private*
24 *entities for the purpose of addressing a social, economic, or*
25 *educational challenge. The context, authorities, and responsibilities*
26 *of a social impact partnership are laid out in a pay-for-success*
27 *contract.*

28 (b) ~~Social impact partnerships~~ *Pay-for-success contracts may*
29 *be entered into, subject to subdivision (d), the conditions and*
30 *requirements of this chapter, for any of the following:*

31 (1) *To address policies or programs that may be appropriate to*
32 *meet a defined demographic group’s particular need, but that are*
33 *not currently funded by the state.*

34 (2) ~~To address a particular components of state programs~~
35 *component of a state program* in order to improve outcomes or
36 lower state costs.

37 (3) ~~To improve outcomes in programs~~ *a program designed to*
38 *reduce recidivism in the population of formerly incarcerated*
39 *individuals.*

1 (4) To reduce the incidence of child abuse and neglect through
2 prevention and treatment, to improve the stability of at-risk and
3 foster children through behavioral health and other
4 trauma-informed care, and to improve educational outcomes and
5 job preparedness for at-risk and foster children care.

6 (c) ~~Social impact partnerships~~ A social impact partnership shall
7 not be used for the operation of entire state programs in lieu of
8 funding or administering an existing state program nor cause the
9 displacement of any state employee.

10 (d) The Governor is authorized to enter into a social impact
11 partnership, *subject to the conditions and requirements of this*
12 *chapter*, for the purposes set forth in subdivision (b) if the
13 ~~contractual agreement~~ *pay-for-success contract* contains all of the
14 following:

15 (1) A requirement that payments for services be conditioned
16 upon the achievement of specific outcomes based on defined
17 *baseline metrics*, performance measures, *and quality standards*.

18 (2) A requirement that an independent evaluator be used to
19 determine whether the performance outcomes *and quality*
20 *standards* have been achieved.

21 (3) Specifications for how success will be measured and
22 payments for services are earned.

23 (4) A calculation for the amount of, and the timing of, payments
24 that will be earned by the service provider during each year of the
25 agreement, if performance outcomes are achieved as determined
26 by the independent evaluator.

27 (5) If applicable, pursuant to paragraph (2) of subdivision (b),
28 a statement that the contract will result in significant performance
29 improvements or budgetary savings if the performance outcomes
30 are achieved.

31 (e) If the Governor exercises the authority set forth in
32 subdivision (d), he or she shall enter into at least three ~~contracted~~
33 ~~agreements for social impact partnerships during the fiscal year~~
34 ~~in which the state enters into the first contractual agreement~~
35 *pay-for-success contracts for social impact partnerships before*
36 *December 31, 2019*.

37 (f) *Before finalizing the terms and conditions of the*
38 *pay-for-success contract, the state agency that is assigned to*
39 *administer or oversee the pay-for-success contract shall undertake*
40 *an assessment to determine appropriate baseline metrics,*

1 *performance standards, and quality measures to be included in*
2 *the pay-for-success contract. At the conclusion of the*
3 *pay-for-success contract, the state agency shall provide the Joint*
4 *Legislative Budget Committee, the Senate Committee on Business,*
5 *Professions, and Economic Development, and the Assembly*
6 *Committee on Jobs, Economic Development, and the Economy,*
7 *with an assessment of how effective the social impact partnership*
8 *model was in meeting the particular needs of the targeted*
9 *demographic group and make recommendations on how the*
10 *structure or process of undertaking a social impact partnership*
11 *through pay-for-success contracts may be improved.*

12 97001. (a) A *pay-for-success* contract for a social impact
13 partnership shall be submitted to the Legislature as part of the
14 Governor's proposed budget, ~~and any~~ *including any statutory*
15 *changes that may be necessary for the pay-for-success contract*
16 *to move forward. Any funding of the contract for that fiscal year*
17 *shall be included in the Governor's proposed budget for the state*
18 *agency that would administer or oversee the contract. A*
19 *pay-for-success contract shall not be entered into without funding*
20 *approval by the Legislature.*

21 ~~(b) For contracts approved by the Legislature for prior fiscal~~
22 ~~years, payments made under the contract shall be subject to~~
23 ~~appropriation according to the terms of the contract.~~

24 (b) *The Treasurer shall separately account for moneys within*
25 *the State Treasury for pay-for-success contracts that have been*
26 *approved by the Legislature and the Governor, and hold those*
27 *moneys, until the outcome of the social impact partnership has*
28 *been evaluated, pursuant to subdivision (g) of Section 97000.5,*
29 *and the moneys appropriated by the Legislature for payment of*
30 *the pay-for-success contract.*

31 97002. This title shall be repealed on January 1, 2020.